

TESTIMONY FOR
WHITE HOUSE CONFERENCE ON AGING
POLICY COMMITTEE

PRESENTED BY ROGER B. MADSEN, DIRECTOR



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Members of the White House Conference on Aging Policy Committee:

My name is Roger Madsen and I am the Director of Idaho Commerce & Labor. I'm pleased to have this opportunity to speak to you today about an issue of tremendous concern, not just to those of us at Commerce and Labor, but to Idaho's overall social and economic prosperity. The issue? Simply put, Idaho's population in general and workforce in particular are aging. Others here today are speaking to the issues related to the population as a whole, so I will limit my remarks to those related to the workforce.

To help clarify our concerns, I'm going to speak briefly about what we know about this population demographically, what our numbers tell us, and our suggestions for how the White House Conference on Aging can assist states like Idaho in meeting the challenges presented by our changing workforce dynamics.

Demographics

By way of background, more than 18,000 Idahoans 65 years old and over were participating in the labor force in the year 2000 and the number of workers 55 and over is expected to nearly double from 82,000 in 2000 to more than 160,000 by 2010, taking older workers from roughly 13% of the Idaho labor force to a projected 20%.

Idaho Commerce and Labor offices across the state report that since the year 2000 more older people are choosing to stay in the labor pool than in the past. In 1999, 5.5% of the individuals registering for services at ICL offices were older workers; in 2002, this percentage rose to 6.4 %.

According to a New York Times study in early 2004, one out of four American workers 45 and older report delaying retirement. Reasons for this include:

- People entering their 60s and 70s tend to be healthier than earlier generations were.
- Rising health care costs can prevent individuals from leaving employers that provide health insurance at a reasonable cost.
- Many individuals haven't saved enough, have lost their pensions through the closure, merger, or reorganization of their employers, and/or lost significant amounts of their portfolios during the troubled stock market of 2001.
- In the last two decades more people have started their families later in life and thus may still have children in college.
- And lastly, many grandparents are becoming responsible for raising grandchildren and need additional income to support them.

According to the 2000 Census, grandparents were raising grandchildren in approximately 8,000 Idaho families.

Implications

Now, what do these numbers tell us?

Many states are reporting the phenomenon of a “shrinking workforce” – that is, the number of younger workers is inadequate to fill vacancies created by those leaving the workforce. While Idaho may experience this to a lesser degree in certain occupations, we are fortunate in that our statistics show that our labor force continues to grow as people move into the state and that our youth population is growing at a faster rate than that of the nation as a whole.

That notwithstanding, the aging of the Idaho population that has occurred in recent decades, along with the very rapid aging of the Idaho population that started in 2001 when the first baby boomers turned 55 years old, will have a significant effect on Idaho businesses and on government services as well. In government alone, over 42% of the employees in the public retirement system are age 50 and over, with an average age of 46 for all government workers in that system. ICL is a prime example of a Department that is facing workforce challenges, as just over half of senior management staff are age 52+ and therefore eligible to retire in the next three years. Over the next

decade or two, both the private and public sectors will have to make decisions about how to maximize the availability and productivity of older workers, who are becoming a larger percentage of the labor force, and how to replace them when they do retire.

The issue here is two-fold:

1. Employers need skilled, reliable employees to meet productivity goals and accommodate growth and must anticipate the impact of changing workforce demographics on the labor pool available to them.
2. Seniors are choosing or being forced by circumstances to remain in the workforce, but are hampered by a variety of factors in their efforts to do so.

Our challenge, then, is to determine how to best meet the workforce needs of employers and at the same time address the economic security needs of aging workers.

What issues can the White House Conference on Aging address that will help us meet this challenge?

We believe strongly that continued participation of aging workers in the workforce will be mutually beneficial to employers and workers alike. In fact, if at some point the supply of younger workers does fail to replenish the labor pool lost when aging workers retire, it will become an economic

necessity to devise mechanisms to retain those aging workers and to attract back those that have left employment. Although we do not anticipate major problems of this particular nature in Idaho, it is important to be prepared for those instances in which shortages do occur. Even in the absence of actual labor shortages, it is in the best interest of employers to capitalize on the resources offered by the aging worker. Retaining these workers, for example, can result in substantial savings in employee training costs as well provide a source of mentors for younger employees.

There are, however, a number of barriers that need to be addressed to succeed in this effort, which fall into four general categories:

1. Structural – Many aging workers lack technological skills required in today's (and tomorrow's) workplace.
2. Economic – Current pension laws tend to penalize aging workers who want or need to remain in the workforce longer.
3. Circumstantial – The circumstances of the aging worker suggest the need for alternative approaches to structuring work, such as flex time, part-time work, and job sharing.
4. Attitudinal – It is often the perception of employers that the aging worker is less productive and therefore less profitable to the employer.

We understand that the issues here are complex and that no simple solution currently exists. We do believe, however, that the conference can facilitate improved institutional responses to these conditions by further exploring the following:

1. A *national employment policy* that addresses the changing demographics of the workforce, specifically examining how this country's workforce development system can be more responsive to the needs of an aging workforce and how federal and state legislation can remedy barriers to working longer. The performance management system created for workforce investment programs, for example, tends to discourage services to aging workers and needs to be re-examined. On a related note, I would be remiss here if I passed up the opportunity to remind Congress of the need to adequately fund public programs entrusted with the implementation of national policy, specifically Title V of the Older Americans Act, the Employment Service, and the Workforce Investment Act.
2. *Innovative approaches to training aging workers* to address skill gaps that do exist – with an emphasis on utilizing distance learning capabilities and enhancing technological skills of this population.

3. Elimination of financial disincentives to working longer, such as the Social Security earnings limitations and pension penalties for older individuals who need or want to work longer. Pension reform, in general, is a topic that warrants scrutiny.
4. Employer education – helping employers to understand the benefits of retaining productive older workers and to devise mechanisms for doing so (by tailoring the workplace environment to accommodate the needs/abilities of aging workers without negatively impacting the profitability of the business).

Idaho's needs here are compelling; our long term prosperity will depend upon our ability to make the most of our assets, not the least of which is our aging population, a resource rich in experience, maturity, and potential. I'm confident that I speak for other states as well when I express our hope that under your leadership, Senator Craig, as Chair of the Economic Security Committee, workforce issues will be a focal point of the White House Conference on Aging.

I thank you for the opportunity to share our thoughts and suggestions for the White House Conference. I will be happy to take questions.